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**ARIZONA CORPORATION COMMISSION**

May 9, 2006

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Craig A. Marks  
19820 N. 7<sup>th</sup> Street  
Suite 201  
Phoenix, AZ 85024

RE: Arizona-American Water Company – Application for Extension of its Certificate of Convenience and Necessity (CC&N) to Provide Water and Wastewater Utility Services in its Agua Fria Water and Wastewater Districts in Docket No. WS-01303A-06-0242  
INSUFFICIENCY LETTER

Dear Sir:

In reference to the above mentioned application filed on April 12, 2006, this letter is to inform you that the application has not met the sufficiency requirements as outlined in the Arizona Administrative Code. The deficiencies are:

1. Please provide the amount of Ak-Chin water (in acre-feet) that the Developer will assign to the Company to use in serving Tesota Hills if the Developer's Well facilities fail to meet the minimum pump test requirement of 770 gallons per minute referenced in Paragraph IV.4 of the Water Facilities Line Extension Agreement.
2. Has the Ak-Chin Indian Community and the Secretary of the Interior approved the assignment of the right to receive that amount of Ak-Chin Water to the Utility by Del Webb Corporation? If so, please provide a copy of the approvals. If no, please inform Staff of the status of the application for the approvals.
3. Please provide a copy of the Arizona Department of Water Resources ("ADWR") Certificate of Assured Water Supply for the extension area. If not available, please provide a copy the ADWR's Physical Availability Determination. If a determination of Assured Water Supply has not been obtained from ADWR, please inform Utilities Division Staff ("Staff") of the status of the application for that determination.
4. Please provide a copy of the Arizona Department of Environmental Quality's Approval to Construct the water facilities to serve the proposed extension area. If the Approval to Construct has not been issued, please inform Staff of the status of the application for the Approval to Construct.
5. Please submit a drinking water design report which clarifies how water will be provided to the proposed CC&N area.

The report should identify existing and future sources, the capacities of existing sources, the estimated capacities of future sources and any existing demand on the present water sources.

The report should include the estimated water demand from a typical dwelling unit, the estimated demand from the proposed CC&N area.

The report should identify the location of future and existing transmission mains and include the timing or construction phasing of facilities.

The design report should describe water quality and address any water quality problems with the existing and future sources of water (as an example, will extra treatment costs arise in order to meet existing or future maximum contaminant levels for arsenic nitrates or fluorides in the drinking water and if so, how does the applicant plan to fund the necessary treatment plant additions).

Please provide any other information which will allow the Commission to analyze and conclude that the company has sufficient water production capacity, or can develop enough drinking water capacity to service the existing and future demands from the proposed CC&N area.

6. Please provide a detailed description for the existing water system related to the proposed new development, Tesota Hills, and submit water flow for the last 12 months.
7. Please provide a set of design plans for the proposed water facilities. If final plans are not available, preliminary design plans should be provided.
8. Please provide a copy of the approved Central Arizona Association of Government ("CAAG") Section 208 Plan, any subsequent amendments, and any proposed amendments which includes the proposed extension area. If the Section 208 Plan has not been issued, please inform Staff of the status of the application for the Section 208 Plan.
9. If the information is not contained in the §208 plans, please submit a master wastewater design report which clarifies how wastewater service will be provided to the proposed CC&N area.

The report should identify the location of existing and future wastewater treatment plants and major wastewater interceptors. It should also provide the capacities of existing and future wastewater treatment plants, any existing service base in the proposed C&N, service connections at build out in the proposed CC&N, estimated wastewater flow from a typical dwelling unit.

The report should also include the estimated wastewater total flows or contributions from future build out within the proposed CC&N, the timing or construction phasing of facilities and methods of effluent disposal.

Please include any other information which will allow the Commission to analyze and conclude that the company has sufficient wastewater treatment capacity, or can develop enough treatment capacity to service the existing and future demands from the proposed CC&N.

10. Please provide a copy of the Arizona Department of Environmental Quality's "Aquifer Protection Permit" for the wastewater treatment plant. If that permit has not been issued, please inform Staff of the status of the application for that permit.

11. Please provide a detailed description for the existing wastewater system related to the proposed new development, Tesota Hills, and submit wastewater flow for the last 12 months.
12. Please provide a set of design plans for the proposed wastewater facilities. If final plans are not available, preliminary design plans should be provided.
13. Does the Company plan to use effluent for artificial lakes, golf courses, ornamental structures, open spaces, and any other aesthetic water features? If so, at what point in time does the Company intend to utilize effluent for such uses? Please explain in detail. Please be sure to include the number of houses that would have to be built in order to generate enough effluent for such uses.

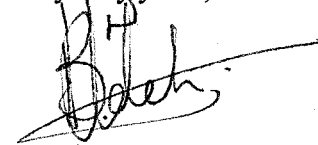
Staff would like to use this opportunity to bring the following to your attention:

- Pursuant to the Arizona Administrative Code ("A.A.C.") R-14-2-411(C), upon meeting sufficiency requirements, the Commission has 150 calendar days for its substantive review. This includes conducting a hearing and preparing Opinion and Order to present to the Commission at an Open Meeting; and
- Pursuant to A.A.C. R14-2-411(C)(3), Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.

**Please file your response to this Insufficiency Letter with Docket Control.**

If you have any questions concerning this matter, please do not hesitate to contact me at 602-542-0840 and Jian W. Liu at 602-542-7276.

Very truly yours,



Blessing N. Chukwu  
Executive Consultant III

BNC

cc: Docket Control  
Del Smith  
Lyn Farmer  
Brian Bozzo  
Vicki Wallace